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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 10/03/08

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- (1) DPJ in dilemma over deliberations on extra budget bill; Strategy of protraction could evoke public criticism

In deliberations on the budget bill to start on Oct. 6, the Democratic Party of Japan (DPJ) plans to take a confrontational stance against Prime Minister Aso, who is eager to enact the fiscal 2008 supplementary budget bill. The DPJ will try to press Aso to dissolve the House of Representatives at an early date for a snap election. If the main opposition prolongs deliberations, however, the party could be hit with public criticism for that tactic and find itself eventually placed at a disadvantage in the election campaign when it comes. The DPJ is trying to undermine the unity of the ruling coalition by hinting at the possibility of summoning a former New Komeito chairman (who has challenged his party's connection to the religious sect Soka Gakkai) to the Diet as an unsworn witness, which that party really wants to avoid, the.

DPJ President Ozawa in a meeting last night of the Isshinkai, a group of junior party members supporting him, said in frustration:

"I think the government will dissolve the Lower House by the end of this year. The public will not tolerate the current situation. It is irrational for the government to even talk about a second supplementary budget. ... Our side is distressed, but the other side must also be distressed. Interpret this as meaning the campaign period will be prolonged and campaign in your electoral districts."

On the condition that the Lower House would be dissolved early, the DPJ planned to agree to a ruling camp request to vote on the extra budget bill after deliberations are held for two days in both

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Houses. But Prime Minister Aso, taking seriously the financial crisis triggered by the U.S., has begun to stress the need to buoy up the economy in earnest. Given this, the DPJ is being pressed to rewrite its strategy.

The DPJ is poised to pursue the government in deliberations on the budget bill over its response to the financial crisis and its handling of the tainted rice scandal. But a mid-ranking DPJ official said: "If we try to prolong or boycott deliberations, we may be criticized as turning our backs on the economy. If public support for the cabinet drops as a result of the prime minister having been driven into a corner, the government may find it difficult to dissolve the Lower House."

Some DPJ members are suggesting that the party should mention the possibility of summoning of former New Komeito official Yano, who has filed a lawsuit against the Soka Gakkai, to the Diet as an unsworn witness as another means to force the government into early dissolution. They expect that the New Komeito, which wants to avoid such a summoning, would press the prime minister to dissolve the Lower House.

Appearing on a TBS program yesterday, Ozawa emphasized this regarding the issue of Yano: "That is an issue involving politics and religion. It is a constitutional issue and is a serious theme in the House of Councillors (controlled by the opposition camp)."

In the representatives interpellation session in the Upper House plenary session yesterday, Azuma Koshiishi, leader of the DPJ's Upper House caucus, stated: "A religious group being given favorable tax treatment reportedly has played more of a major role than the party itself as the base for the election campaign." The DPJ is preparing to gradually apply pressure on the ruling bloc, as seen from an agreement reached ahead of the Diet interpellations among Koshiishi, Secretary General, Diet Affairs Committee Chairman Kenji Yamaoka, and others to take up the issue as a general argument, without citing the name of the Soka Gakkai.

DPJ Vice President Hajime Ishii, People's New Party Vice President Shozaburo JImi, and others met in the Diet Building yesterday and agreed to pursue the government and the ruling camp over the Yano issue. New Komeito President Ota criticized the DPJ's stance, claiming: "The issue that is pending in court should not be taken up in the Diet."

(2) How will the 81 "Koizumi children" fare in next Lower House election?

YOMIURI (Page 4) (Abridged slightly)  
October 2, 2008

All eyes are now focused on how the so-called "Koizumi children," Liberal Democratic Party (LDP) first-term lawmakers who were elected in the 2005 House of Representatives election, will fight to hold their seats in the next Lower House election. The number of such lawmakers has decreased from the 83 to 81 because two have already resigned, although the 83 contributed to the LDP holding a two-thirds majority with its coalition partner, New Komeito, in the Lower House. How many of those freshman lawmakers can be reelected could determine the results of the battle between the LDP led by Taro Aso and the Democratic Party of Japan (DPJ) headed by Ichiro Ozawa.

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The 81 lawmakers include: 34 who were elected in single-seat constituencies; 33, elected under the proportional representation segment after being defeated in the single-seat district contest; and 14 who ran only in the proportional representation race and won seats. The possibility is strong that those 14 lawmakers will face uphill battles.

Of those 14 lawmakers, only two -- Taku Otsuka (representing the Tokyo proportional representation bloc) and Keisuke Suzuki (South-Kanto proportional representation bloc) -- have been endorsed by the LDP to run respectively in the Saitama-9 district and Kanagawa-7 district. Otsuka is taking over the home turf of Matsushige Ono, a Machimura faction member and former deputy chief cabinet secretary, who will retire from politics. Although Otsuka wanted to run in the Tokyo-5 district, the LDP picked Yukari Sato, who once competed with Consumer Administration Minister Seiko Noda in the Gifu-1 district, as its candidate for the Tokyo-5 district.

Taizo Sugiura, who was elected in the Hokkaido-1 district, intends to run in the next Lower House election as an independent candidate, because he failed to obtain the party's endorsement.

Kuniko Inoguchi (representing the proportional representation Tokyo bloc) and Mitsue Kondo (proportional representation Kinki bloc) ran in the 2005 Lower House at the request of then Prime Minister Junichiro Koizumi. However, since Koizumi has announced his retirement, they appear to have lost his support.

Of the Koizumi children who won single-seat contests, Yasuhiro Nakagawa (Kyoto-4 district) and Satsuki Katayama (Shizuoka-7 district) will have to compete head on with DPJ candidates. Some other freshman lawmakers will be forced to go up against LDP candidates who were against postal privatization. In Osaka and Kyoto prefectures, there are moves opposing the party's endorsement of the Koizumi children.

Coordination between Koizumi children who secured their seats under the proportional representation segment after being defeated in single-seat constituency elections, and "postal rebels" has become a major internal issue. Kotaro Nagasaki (representing the proportional representation South-Kanto bloc) plans to run in the election as an independent, since former General Council Chairman Mitsuo Horiuchi, a postal rebel, has been endorsed as LDP candidate for the Yamanashi-2 district. Jiro Ono (proportional representation South-Kanto) will likely secure the party's official support in the Yamanashi-3 district, since Takeshi Hosaka has decided to run for the Kai mayoral election. However, Hosaka has yet to clarify whether he supports Ono.

(3) Editorial: Prime minister must make decision on Lower House dissolution

ASAHI (Page 3) (Full)  
October 3, 2008

Prime Minister Taro Aso has repeatedly made statements dismissive of early Lower House dissolution for a snap general election.

On Oct. 1, the prime minister underlined the need for additional fiscal disbursements by citing the U.S. financial crisis, saying: "There are mounting challenges, such as bills to establish a

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consumer affairs agency, Indian Ocean refueling legislation, in addition to a supplementary budget bill. I would like to prioritize implementing policies over Lower House dissolution. The extra budget is within the range of expectations. There might be calls for additional steps."

A tug-of-war is underway between the ruling and opposition camps over the timing for the next general election. The prime minister's true intention remains unclear. But as far as his comments are concerned, he seems to be willing to dissolve the Lower House after the bills to establish the consumer affairs agency and to extend the refueling mission, possibly a second supplementary budget as well, are all enacted.

The Democratic Party of Japan is opposed to the plans to establish the consumer affairs agency and to extend the refueling mission. If the ruling bloc aims to readopt them by using its two-thirds overriding vote in the Lower House, chances are high that Lower House dissolution will not occur until the end of this year, or possibly not until early next year.

We cannot support such a scenario. In order to deal with the financial crisis properly, the next general election must be held much earlier.

The prime minister might say that there is no guarantee that the divided Diet will end with the general election and that a political vacuum must not be created as a result of the election.

The perception that a political vacuum does not exist now is not correct. Since last summer's Upper House election, the nation's politics was repeatedly thrown into turmoil and forced to stall under prime ministers Shinzo Abe and Yasuo Fukuda. This very situation constitutes a political vacuum. One must not forget that the nation's politics has been like this for over one year now.

The ruling camp is to blame for that. But the DPJ is no less responsible. In order to break the gridlock in this situation and put an end to this vacuum, there is no other option but to carry out a general election to seek the people's judgment.

As a result of the election, the Ozawa-led DPJ might take over the reins of government. Conversely, if the ruling camp wins, it would be difficult for the DPJ to put up resistance on the strength of popular will. The stage might be finally set for positive political compromises.

The environment surrounding the prime minister is gloomy.

His cabinet's support ratings have been lower than those of the former Abe and Fukuda cabinets. The resignation of Land and Transport Minister Nariaki Nakayama over his controversial remarks has also dealt a blow to his cabinet. The LDP is leaning toward postponing the election in the judgment that if the nation goes to the polls now, the party would suffer a devastating setback.

The country cannot afford to delay the election endlessly and allow the economy to slip into recession. Once the Diet ends deliberating on the supplementary budget, a solid administration backed by popular will must be installed to implement powerful and flexible economic stimulus measures.

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In his policy speech, the prime minister said: "I will never flinch from the challenges before me." If he takes political responsibility

seriously, he can no longer flinch from calling a general election.

(4) With inauguration of Aso cabinet, Image of Japan being police state growing

SENTAKU (Page 45) (Full)  
October 2008

With the appointment of former National Police Agency Director General Iwao Urushibara as deputy chief cabinet secretary, the highest post in the bureaucracy, the image of Japan being a police state is growing. Under the situation that former NPA's Foreign Affairs and Intelligence Department chief Hideshi Mitani and former Tokyo Metropolitan Police Commissioner Tetsuro Ito have been serving respectively as cabinet intelligence director and deputy chief cabinet secretary for crisis management, a former NPA officer was named deputy chief cabinet secretary for the first time in 32 years. While Shinzo Abe was prime minister, there was a rumor that Urushibara would be named as deputy chief cabinet secretary, but such was not realized due to Abe's sudden resignation. Some political observers predict that persons close to Abe, who is a friend of Aso, might have suggested the appointment. Aso also picked such conservative politicians as Hirofumi Nakasone, Yasukazu Hamada and Shoichi Nakagawa respectively as foreign, defense and finance ministers.

Regarding the important posts given to former senior officials, there appear mixed motives in the NPA. Since other ministries and agencies are unhappy with the situation, the possibility is strong that there will be a strong backlash from other agencies. Some in the NPA are concerned about the closeness of the police and politics. With an eye on the forthcoming House of Representatives election, in which a fierce battle for taking the reins of government is expected to take place, police authorities that strictly monitor election irregularities, have said: "It will be troublesome if the opposition throws doubt on us."

(5) What is the scandal involving the DPJ that LDP has wind of?

SENTAKU (Page 45) (Full)  
October 2008

It seems that the ruling Liberal Democratic Party (LDP) has got hold of a scandal involving the main opposition Democratic Party (DPJ). Senior LDP Election Strategy Council members reportedly are filled with confidence that even if a DPJ-controlled government is inaugurated, the LDP will be able to topple it. According to sources familiar with the LDP, the scandal is that the DPJ received support from a gangster organization in a Lower House by-election for the Fukuoka No. 2 district in April 2005.

The by-election was held to fill a Lower House seat that had fallen vacant after DPJ member Junichiro Koga quit his seat to take responsibility for his fake college degree. The DPJ filed as a candidate in the by-election lawyer Masanori Hirata, who was a student in the political training seminar held by (then DPJ Vice President) Ichiro Ozawa, but the DPJ candidate was defeated by former LDP Vice President Taku Yamasaki.

A source familiar with the LDP said:

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"At that time, it was revealed that the Hirata camp had not paid a rent for three months of the campaign office in Fukuoka City. The building was owned by a gangster-related company. Public security authorities are aware of it."

A senior LDP Election Strategy Council member as if sharpened his claws said: "If we reveal the cozy ties between the DPJ and a gangster organization, the DPJ will collapse before taking the political helm." However, no one knows how the situation will turn out.

(6) Okinawa governor to visit U.S., call for nuke sub safety

The Okinawa prefectural assembly met yesterday for the last day of question-and-answer sessions, with Zenshin Takamine presiding as speaker. Representing the ruling parties, eight assembly members took the floor to ask questions. Concerning the recent discovery of U.S. nuclear-powered submarines' leakage of cooling water containing radiation, Akira Uehara, chief of the governor's office, revealed the governor's plan to visit the United States to make a direct appeal to the U.S. government for a solution to Okinawa's base issues. Uehara stated that the governor would call on the U.S. government to prevent U.S. military incidents and accidents. He added, "We want to make a strong request to the U.S. government for the U.S. military to take thorough safeguards." He was replying to a question asked by Moriyuki Teruya.

(7) SDF should be dispatched for monitoring ceasefire in Georgia

ASAHI (Page 16) (Abridged slightly)  
October 3, 2008

By Kazuhiko Togo, former Foreign Ministry European Affairs Bureau director general and Temple University Japan visiting professor

The conflict between Russia and Western countries over Georgia, which is often referred to as the "new Cold War," is a pressing international issue. Immersed in its own affairs, Japan, the host of this year's G-8 summit, has not made any contributions to the Georgia conflict. Such is truly regrettable.

It is important for the government to make it clear that Japan is ready to send Self-Defense Force troops to Georgia to monitor the ceasefire there and to make every effort for the UN Security Council to adopt a resolution for that.

The European Union (EU) is already monitoring the ceasefire in Georgia. The EU has been calling for the adoption of the UNSC resolution. With the resolution, the SDF can join the UN peacekeeping operations (PKO), thereby allowing Japan to play a role in the ceasefire monitoring effort along with the EU.

Why does Japan have to go such lengths?

The answer to this question is closely associated with how to define Russia in international politics. Russia is an important neighbor that shares a territorial issue with Japan. Joining this crucial effort serves Japan's national interests.

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After experiencing humiliation and defeat over the last 20 years or so, Russia has now restored its influence, owing to soaring oil prices and the strong leadership of former President Vladimir Putin. Behind Russia's conflict with Georgia lies Moscow's defiant message not to ignore it, amid the declining international position of the United States.

Russia no longer hesitates to raise tensions with European countries and the United States. At the same time, it is aiming to grow into a value-added economy by reducing its dependence on oil. In that respect, keeping harmony with Western countries is essential for Russia. Japan should join the ceasefire monitoring operation so as not to let Russia slip into deep international isolation. Such a step may be thanked by Russia, but it cannot oppose it.

Georgia is also expected to welcome the Japanese troops' hard work for the maintenance of peace. During my service for the Foreign Ministry, I was assigned to the embassy in Moscow three times, and I visited Georgia on each tour. Georgia is a country that truly loves Japan's martial arts, culture, and language.

Georgia and its surrounding region called the Caucasus are a geopolitical pivot bordering on Russia, Western Europe, the Middle East, and Central Asia. The repercussion of any even that occurs there always reaches Japan via Russia, China, and Central Asia.

Further, the region is important as a route to convey Caspian Sea oil and natural gas.

Japan can still act. The SDF dispatch to Georgia seems good for Prime Minister Taro Aso, who paid attention to this region's strategic importance as seen in his advocate of the "Arc of Freedom and Prosperity" during his tenure as foreign minister, as well as for Democratic Party of Japan President Ichiro Ozawa, who puts UN cooperation at the center of his diplomacy.

(8) Business confidence drops to five-year low: Total decline in demand in both domestic and external areas; Manufacturers cutting back on output in succession

ASAHI (Page 11) (Excerpts)  
October 2, 2008

The BOJ's "Tankan," a survey of business confidence for September, released on October 1, showed that business confidence among the nation's leading companies and major manufacturers fell into negative territory for the first time in five years, confirming that the economy has taken a downward turn. There are no signs of the global financial crisis abating. A number of Japanese companies have drastically cut production. With the termination of the expansionary economic trend driven by exports, which has lasted for six years, there is a growing worried view that the business slump could be protracted.

Both the domestic and overseas supply and demand conditions for products and services indexes have significantly deteriorated. Those indexes remained unchanged in the previous survey carried out in June. However, the slowdown in the global economy has clearly affected both domestic and overseas supply and demand conditions.

Outline of BOJ Tankan survey

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? The diffusion index (DI) of business sentiment among leading companies and manufacturers stood at minus 3, down 8 points from the previous survey. The fall of the business sentiment into negative territory is the first since June 2003.

? The DI of leading companies and non-manufacturing companies marked plus 1, down 9 points. Deterioration was marked for five quarters in a row.

? Regarding the DI of small- and medium-size companies, that of the manufacturing companies stood at minus 17, down 7 points. That of nonmanufacturers marked minus 24, down 4 points.

? Capital investment plans of leading companies in all industries, a leading economic indicator, increased 1.7 PERCENT, compared with the previous year. However, the outcome was revised down by 0.7 PERCENT.

? The expected exchange rate for the second half of fiscal 2008 is 102.48 against the dollar.

Economic downturn likely to become drawn out

Several economists were asked for comments about the BOJ's Tankan. Nissei Research Institute Economic Research Department Manager Koichi Haji said, "It has been thought that unlike the 1990s, the economic downturn this time would not last long. However, the situation does not allow such an optimistic view." Totan Research's chief economist Izuru Kato pointed out, "If the U.S. fails to deal with its financial crisis, the risk of a delay in the recovery of the Japanese economy would increase."

The BOJ, which is responsible for steering monetary policy, has envisaged a scenario of the economy remaining stagnant for the time being, but the Bank predicts it will gradually return to a modest growth track. The major reason for the projection is the extent of three excessivenesses -- facilities, employment and debts -- is small this time.

However, a slight derailment of this scenario can be envisioned. In the Tankan survey, the index determined by subtracting the capacity index, which indicates a sense of surplus in facilities, from

shortages in such and equipment was plus 2 for leading companies and manufacturers, up 2 points from the previous survey. Leading companies' and all industries' capital spending plans for fiscal 2008 have also been revised down 0.7 points from the figure as of June. Mitsubishi UFJ Securities Research Center senior economist Tatsushi said, "The downward revision of capital investment plans reflects that companies are becoming cautious about the future of the economy."

The employment conditions DI came to minus 2, up 3 points for leading companies and manufacturing companies. That of small- and medium-sized companies stood at plus 6, up 3 points. There is a gradual feeling that surplus labor is building up.

The future of the economy does not allow optimism. Some BOJ officials take the view that the protraction of the financial crisis could accelerate a drop in exports. The situation concerning domestic demand is that it had never been expected that domestic demand for the nonmanufacturing sector would drop to this degree, as Hideo Kumano, an economist at the Daiichi Life Research Institute said.

The government and the ruling camp intend to pass before the Lower House is dissolved a supplementary budget, which includes a package

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of comprehensive economic stimulus measures. However, some have raised doubts about the efficacy of such an economic stimulus package with one analyst at a leading securities house noting, "Foreign factors have triggered Japan's economic slump. Economic stimulus measures will not settle the problem fundamentally."

There has been a growing speculation in the market since September 29, when U.S. stock prices plunged, that the central banks of various countries would lower interest rates in concert. Many economists take the view that it is important to maintain the liquidity of funds, by such means as dollar supplying and that it is impossible to adopt a policy interest rate, noted Akiyoshi Takumori, a chief economist at Sumitomo Mitsui Asset Management. Others hope to see the monetary supply eased, because it is difficult for small- and medium-sized businesses to manage their capital.

The BOJ stands firm on its policy stance that there are downward risks about the economy and upward risks about prices, and the situation now requires attention on both risks, as BOJ Governor Masaaki Shirakawa said.

SCHIEFFER